FORM DS-323
7-18-46

OUTGOING AIRGRAM

450

CLASSIFICATION

Department of State

NO. _____

Washington,

CONFIDENTIAL DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY _____ DATE 9-3083 4772
RDS ☐ or XDS ☐ EXT. DATE _____ 4772
TS AUTH. _____ REASON(S) _____
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED ☐ RELEASABLE ☑
RELEASE DENIED ☐
FA or FOI EXEMPTIONS _____

AMEMBASSY

Addis Ababa

A-60, March 31, 1951
March 28, 1951

Treaty of Amity and Econ. Rel. Ref. Embassy's Desp. 216, Mar 5, 1951.

Art. X (2)

The proposal to limit withdrawal rights to dollar investments only is (a) unnecessary, (b) undesirable, and (c) administratively impractical.

(a) It is unnecessary since Ethiopia's obligation to permit capital withdrawals is contingent upon Ethiopia's possessing adequate amounts of foreign exchange. If an exchange shortage existed Ethiopia could, according to the treaty, restrict all capital withdrawals "to the extent necessary to assure th availability of foreign exchange for payments for goods and services essential to the health and welfare of its people". It could also impose any exchange restrictions specifically approved by the IMF. In any event, Ethiopia's obligation is merely "to make reasonable provision for the withdrawal", etc. The DEPT believes that those provisions provide ample latitude to protect the interests of the parties to the treaty.

(b) The proposal is undesirable since the treaty seeks to assure investors that they will enjoy as much freedom in transferring their assets out of Ethiopia as is reasonably feasible. An exception, as is suggested, which would permit an unreasonable provision, would indicate that even if Ethiopia had generous exchange reserves, an investor might nonetheless be unable to withdraw assets he had accumulated in Ethiopia. Such an exception would not be conducive to foreign investment in Ethiopia.

(c) It is

CONFIDENTIAL

DISTRIBUTION DESIRED (OFFICES ONLY)

DC/R
Anal 54
Rev
Cat

CR CLEARANCE

611.754/3-551
DC/R Central File
Confidential File
611.754/3-551
CS/H

★ U. S. GOVERNMENT PRINTING OFFICE - 1947 788336

FORM DS-323
7-18-46

OUTGOING AIRGRAM

CLASSIFICATION

Department of State

NO._____

Washington,

CONFIDENTIAL

ADDIS ABABA

A-60, March 31, 1951

(c) It is administratively impractical since once an investment is made and earnings are reinvested, it becomes difficult to segregate assets as proposed. Whether a particular request for withdrawal represented the transfer of earnings or the return of principal, and whether the principal from which the earnings were derived (if it were assumed to be earnings) represented the investment of foreign or domestic funds or whether the capital (if it were assumed to be capital) represented foreign or domestic funds, would not be easy to determine and could involve disagreement, complicated accounting analysis and detailed capital registration procedures inviting evasion. Some countries attempting such registration have abandoned it because of impracticality.

The proposal regarding IMF approval of exchange rates is apparently based on a misinterpretation of the treaty provision. Specific IMF approval of a rate does not refer to approval for each individual transaction, but to specific approval of the rate applicable to a certain category of transactions. When the IMF condones multiple rates as a temporary device, the approval given may refer to specific types of transactions for the particular rates. For example, an approved schedule of rates might provide that rate (a) be applicable to essential food imports, that rate (b) be applicable to the transfer of dividends and interest, etc. In such an event the rate receiving specific IMF approval for the kind of transfers described in the treaty, would be the rate applicable.

acheson ACHESON

(for)

ACHESON

DISTRIBUTION DESIRED (OFFICES ONLY)

OFD:JPYoung:ddec
3/28/51

CP AF

CONFIDENTIAL

MN

S/S-CR

MAR 30 1951 P.M.

MAR 30 1951 P.M.

★ U. S. GOVERNMENT PRINTING OFFICE - 1947 796356

OUTGOING TELEGRAM

INDICATE: ☐ COLLECT
☐ CHARGE TO

Department of State

CONFIDENTIAL
Classification

451 5 P.

CONTROL 159

AUG 1 51

SENT TO: Amembassy ADDIS ABABA 48

611.754/7-2751

Origin

Info:

Amity and Econ. Rel. Treaty, Embtel 48, July 27. 611.75

Art. III, para. 1. Deletion final sentence would leave consular provisions incomplete, but Dept. does not favor Annex on functions as suggested Embtel 359, June 21. Ethio. has not expressed substantive basis objections. If due fear concealed basis for U. S. claim extraterritoriality rights, problem can perhaps be solved by adding QUOTE (comma) subject to reciprocity (comma) UNQUOTE after word QUOTE functions UNQTE final sentence. U. S. could not then claim right exercise any function denied Ethio officers this country. Dept. assumes para. 1 as revised Dept's A-53, March 23, and not original U. S. draft Art III is now basis discussion. 611.75/6-2151

Art. V, para 3. INSTRS re professions contained Deptel 271, June 14; 298, June 29. 611.754/6-2151

Art. VII, para 4. Proposed amendment acceptable.

Art. VII, para 5. Immigration laws exception not acceptable. Entry of persons dealt with in Art. V (1), which contains broad exception. Repetition in Art. VII would add nothing.

Dist. Desired (Offices Only)

BC/R Amel 49 Rev ✓ Cat

Acheson

ACHESON

1951 AUG 1 PM 4

CC/I ACCEPTANCE DESK

611.754/7-2751 BC/R Central Files

611.754/7-2751 Confidential File

Drafted by: EDT:CP:VGSetser:jn 7/31/51

Telegraphic transmission and classification approved by: V. G. Setser

Clearances: OFD AF L/T SEN L/E

S/S - CR

AUG 1 1951 P.M.

CONFIDENTIAL
Classification

REPRODUCTION FROM THIS COPY, IF CLASSIFIED, IS PROHIBITED.